

1922

Making it easier [News items]

Anonymous

Follow this and additional works at: https://egrove.olemiss.edu/dl_hs



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Haskins & Sells Bulletin, Vol. 05, no. 11 (1922 November 15), p. 88

This Article is brought to you for free and open access by the Deloitte Collection at eGrove. It has been accepted for inclusion in Haskins and Sells Publications by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

Some of the staunchest business houses have been wrecked thereby. Turnover, therefore, is a valuable instrument for measuring or estimating the value of efficient management.

(To be continued)

Making It Easier

WHAT in the past has been one of the perplexing problems which public accountants have had to meet in Louisiana has been solved by the new constitution of that State, which became effective January 1, 1922. Under the previous law, business concerns were taxed on values at December 31 of each year, based on stock in trade plus accounts receivable minus accounts and notes payable. Cash was exempt. It was therefore desirable, from a point of view of state taxes, to have as little value as possible in accounts receivable and a maximum of cash. In order to accomplish this, business concerns frequently resorted to the practice, during the last days of December, either of borrowing from banks, in order to increase cash and notes payable, thereby creating an offset to stock in trade and accounts receivable, or selling outright their accounts receivable. With the coming of the new year such notes payable were liquidated, or such accounts receivable were purchased from the parties to whom they had been sold, thus restoring the original position of the concern with respect to the cash and accounts receivable.

This situation has always been a thorn in the side of public accountants. It is obviously almost incredible that accountants examining the records for the early part of the month following the period under examination should fail to observe the reversing entries. There was no disputing the purpose of the transactions prior to the close of the year. On the other hand, the transactions were in every

way legal, and they resulted in a financial status at the end of the year which might not be denied.

The problem confronting the accountant was whether to accept what at December 31 was a fact, although subsequent information gave it the color of fiction, or to be governed by the intent and ignore, as it were, the false motions of post-Christmas manoeuvres. It was, therefore, a source of considerable joy to public accountants that the situation was corrected by the new constitution, Section 4 of Article 10 thereof reading thus:

"The following property, and no other, shall be exempt from taxation: All public property, places of religious worship; * * * places of burial; * * * cash on hand or on deposit; * * * debts due for merchandise or other articles of commerce, or for services; * * *"

By including accounts receivable among the items now exempt from taxation, the incentive for manipulation has been removed. Whatever the effect upon state tax receipts may be, the new law should in this respect be very acceptable to public accountants.

Colonel Arthur H. Carter has recently obtained the C. P. A. certificate of the States of New York and Missouri, respectively.

Mr. W. L. Chaffee, manager of the Atlanta office, was elected a member of the City Air Board of Atlanta, subject to appointment by the Mayor, and duly appointed to the Board on October 10, 1922.

Mr. Page Lawrence served as toastmaster at the banquet incident to the regional meeting of the American Institute of Accountants at St. Louis, November 10, 1922.